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STATE OF MONTANA  
DEPARTMENT OF LIVESTOCK  
REPORT ON AUDIT  
Fiscal Year Ended June 30, 1979



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STATE OF MONTANA

DEPARTMENT OF LIVESTOCK

REPORT ON AUDIT

Fiscal Year Ended June 30, 1979

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL  
HELENA, MONTANA 59601  
406/449-3122



MORRIS L. BRUSETT, C.P.A.  
LEGISLATIVE AUDITOR

November 1979

ELLEN FEAVER, C.P.A.  
DEPUTY LEGISLATIVE AUDITOR  
JOHN W. NORTHEY  
STAFF LEGAL COUNSEL

The Legislative Audit Committee  
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Department  
of Livestock for the year ended June 30, 1979.

The audit was conducted by G. Dean Reed, C.P.A., under a contract  
between the firm and our office. The comments and recommendations  
contained in this report represent the views of the firm and not  
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is  
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Morris L. Brusett".

Morris L. Brusett, C.P.A.  
Legislative Auditor

MLB/jq

Enclosure



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## OFFICIALS

<u>BOARD OF LIVESTOCK</u>		<u>Current Term Ends</u>
Robert G. Barthelmess, Chairman	Miles City	March 1, 1983
Nancy Espy	Boyes	March 1, 1985
Elmer Flynn	Missoula	March 1, 1985
Donald L. Herzog	Rapelje	March 1, 1981
Vernon V. Keller	Fishtail	March 1, 1981
Ralph J. Parker	Fort Shaw	March 1, 1981
Robert M. Simons	Turner	March 1, 1983

## DIVISION ADMINISTRATORS

James W. Glosser, D.V.M.

Animal Health Division

Les Graham

Brands - Enforcement Division



## SUMMARY OF RECOMMENDATIONS

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Seek budget amendments in those instances where expenditures are anticipated in excess of appropriations instead of charging the expenditures against subsequent year appropriations.	3
<u>Agency Reply</u> - Concur.	25
Reverse the July 1979 credit to expenditures of an \$1,152 equipment purchase refund and credit the refund to the appropriate account (e.g. uncleared collections or revenue) based upon the Department's determination as to the refund's proper disposition.	4
<u>Agency Reply</u> - Concur. Already implemented.	25
Implement as a standard procedure in the Department's bill paying process the indentification and consideration of available cash discounts for prompt payment of bills.	5
<u>Agency Reply</u> - Concur.	25
Check with the Department of Administration as to the best approach and clear the negative fund balance in the Department of Livestock Agency Fund account.	6
<u>Agency Reply</u> - Concur. Already implemented.	25
Deposit directly into the General Fund revenues applicable to that fund.	6
<u>Agency Reply</u> - Concur.	26
Periodically reconcile detail receivable accounts with the related control accounts.	7
<u>Agency Reply</u> - Concur.	26
Review the Montana Operations Manual chapter relating to accounts receivable and consider recording all identifiable year end receivables in SBAS.	9
<u>Agency Reply</u> - Partially concur.	26



## SUMMARY OF RECOMMENDATIONS (continued)

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Complete implementation of the procedures outlined in the State's Property Accountability Management System and maintain the system on a current basis.	9
<u>Agency Reply</u> - Concur.	26
Reconsider proposing a staggered system for the re-recording of brands in light of the large volume and improved record processing procedures currently available.	10
<u>Agency Reply</u> - Concur.	26





G. DEAN REED  
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HELENA, MONTANA 59601

AREA CODE 406  
TELEPHONE 442-6050

October 12, 1979

Legislative Audit Committee  
State Capitol  
Helena, Montana

I have examined the financial statements of the funds of the State Department of Livestock for the fiscal year ended June 30, 1979, listed in the foregoing table of contents. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

A Statement of General Fixed Assets, required by generally accepted accounting principles, is not included in the accompanying financial statements. This is due to the lack of general ledger control accounts and incomplete supporting records concerning the Department's investment in equipment.

In my opinion, except for the exclusion of a Statement of General Fixed Assets, the accompanying financial statements listed in the aforementioned table of contents present fairly the financial position of the funds of the Department of Livestock as of June 30, 1979, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, appearing to read "G. Dean Reed". The signature is stylized with a large, looped initial "G" and a cursive "Reed".



## COMMENTS

### GENERAL

The State Department of Livestock was created pursuant to the Executive Reorganization Act of 1971. The Department was formed primarily by the consolidation of the former Livestock Commission and Livestock Sanitary Board, and now consists of two divisions - the Brands-Enforcement Division which is responsible for the protection of the livestock industry from theft and predatory animals; and the Animal Health Division which is responsible for control and eradication of animal diseases and the prevention of the transmission of animal diseases to humans. Each of the divisions are headed by an administrator who reports to the Board of Livestock.

The Department is headed by the seven member Board of Livestock. The board members are appointed by the Governor for six year terms. Section 2-15-3102, MCA, specifies the sources from within the livestock industry from where the members are to be appointed (e.g. producers of cattle, swine, sheep, and dairy products).

The Department is headquartered in the capitol complex in Helena. The Department's diagnostic laboratory is housed on the Montana State University campus in Bozeman. The Department's Market-Investigation Bureau has employees in seventeen district locations and at seventeen market centers throughout the state. The Vertebrate Pest Control Bureau has three field sections in Montana.

The Department's operations are financed from three funds, and expenditures from each were as follows for the 1978-79 fiscal year:

General Fund	\$ 542,660
Earmarked Revenue Fund	2,153,510
Federal & Private Revenue Fund	60,794
Total	<u>\$ 2,756,964</u>

The main sources of revenue of the Earmarked Revenue Fund are tax levies on livestock, inspection fees, and livestock licenses.



## APPROPRIATION CONTROL

### Expenditure Charge

The Department's 1977-78 appropriation for pork research and marketing from its Federal and Private Revenue Fund account for this program was \$22,200. By July 1978, this amount had been fully expended. However, in July 1978, the Department was advised by a contractor that the contractor would be submitting a bill for an additional \$1,907 for 1977-78 work applicable to this program. In December 1978, the Department received the billing for \$1,907 and paid for it from its 1978-79 appropriation for the program.

State laws and appropriation acts provide that expenditures cannot exceed appropriations without approved budget amendments. In the above cited instance, expenditures exceeded the appropriation without a budget amendment being sought. The appropriation control system was avoided by paying the billing from the following year appropriation.

The reason stated by Department officials for not seeking a budget amendment was the lateness of receipt of the notice of additional expenses (during the accrual period after year end). It was thought to be too late to obtain a budget amendment. However, the State's appropriation control system provides for the holding open of appropriations for one year after the end of the period for which they are appropriated. This is primarily to enable late arriving bills to be paid against the correct appropriation. This procedure also enables budget amendments to be processed in the following year in those instances where appropriations have been exhausted.

### RECOMMENDATION

I recommend that the Department seek budget amendments in those instances where expenditures are anticipated in excess of appropriations instead of charging the expenditures against subsequent year appropriations.



### Refund Deposit

During 1978-79, the Department made an equipment purchase for \$1,152 and paid the bill. In early July 1979, the Department received a refund of the full \$1,152 from the vendor with a notice that a double payment had been made. The Department's records show no indication of a duplicate payment. The \$1,152 refund was deposited to the Department's account but in so doing it was credited to 1979-80 expenditures ( a minus expenditure). This was not the proper way to record the deposit because it has the effect of increasing the Department's spending authority for 1979-80 by \$1,152.

The most logical account to which to credit the deposit if any uncertainty existed concerning its ultimate disposition would have been "Uncleared Collections". From there it can be cleared to its appropriate disposition (e.g. refunded to vendor, transferred to another agency in the event a duplicate payment was made from another agency's account, or cleared to revenue). If a duplicate payment had been made from the Department's account, the proper credit would have been to 1978-79 expenditures.

At this point, a journal voucher should be prepared to reverse the credit to 1979-80 expenditures and credit the \$1,152 deposit to the appropriate account (e.g. uncleared collections or revenue) depending upon the Department's determination as to its proper disposition.

### RECOMMENDATION

I recommend that the Department reverse its July 1979 credit to expenditures of an \$1,152 equipment purchase refund and credit the refund to the appropriate account (e.g. uncleared collections or revenue) based upon the Department's determination as to its proper disposition.





## CASH DISCOUNTS

Some vendors, in order to obtain cash for their goods or services on a more timely basis than they ordinarily would, offer sales discounts to purchasers if payment is made within a specified time period (e.g. 10, 20, or 30 days). In reviewing the Department's expenditures, it was noted in several instances that the Department does not take advantage of available cash discounts. In many of these instances, payment was made within the specified discount period and in others it probably could have been if the available discounts had been identified. Although no substantial amounts were involved in the instances noted, available discounts are worth identifying and considering in the payment process because they can accumulate to a substantial savings over a period of time.

## RECOMMENDATION

I recommend that the Department implement as a standard procedure in its bill paying process the identification and consideration of available cash discounts for prompt payment of bills.

## AGENCY FUND BALANCE

The fund balance of the Department's Agency Fund account (stock estray) has had a continuous negative balance of \$1,349 for at least four years (beginning of the year for the previous audit). This means that the account has \$1,349 less cash than it is accountable for. As discussed in the General Comments section earlier in this report, unclaimed proceeds on deposit in this account for more than two years are transferred as revenue to the Department's Earmarked Revenue Fund account. Apparently at some time in the past too much was transferred to the Earmarked Revenue Fund. The current deficit fund balance can be cleared by either transferring \$1,349 from the Earmarked Revenue Fund to the Agency Fund, or withholding this amount from the next transfer of unclaimed proceeds from the Agency Fund to the Earmarked Revenue Fund and crediting the fund balance account for this amount.



### RECOMMENDATION

I recommend that the Department check with the Department of Administration as to the best approach and clear the negative fund balance in the Department of Livestock Agency Fund account.

### GENERAL FUND REVENUE

The state laws provide that some license fees collected by the Department (primarily milk and egg industry licenses) are to be deposited as revenue to the State's General Fund. This is done but the Department has been performing an unnecessary procedure in the process. Upon receipt of the fees, the Department has followed the practice of depositing them first to an uncleared collections account in the Federal and Private Grant Clearance Fund. Then upon approval of the applicable license applications, the proceeds are transferred as revenue to the General Fund. Fees for applications not approved are refunded from the uncleared collections account. This process has been followed because of a statute that use to preclude revenue refunds from the General Fund. However, in 1971, this former limitation on refunds was eliminated by the enactment of what is now Section 17-8-101 (4) MCA, which specifically provides for revenue refunds from the General Fund in appropriate instances. Accordingly, the Department can eliminate the transfer process and deposit General Fund revenue directly to that fund.

### RECOMMENDATION

I recommend that the Department deposit directly into the General Fund revenues applicable to that fund.

### ACCOUNTS RECEIVABLE

Pursuant to a prior audit recommendation, the Department records in the state-wide budgeting and accounting system (SBAS) its accounts receivable generated through the Department's diagnostic laboratory. However, some deficiencies were



noted concerning the accounting for these receivables. In addition, several receivables from other sources were not recorded in SBAS as of June 30, 1979. These receivables, discussed below, are included in the balance sheet accompanying these audit comments. Chapter 2-1100 of the Montana Operations Manual (MOM) relating to accounting for receivables has been issued since the last audit. This chapter sets forth receivable accounting procedures in detail while leaving some discretion to agency officials as to how far to go in recording receivables in SBAS.

#### Control-Detail Reconciliation

Detail ledger cards are maintained in the Department's accounting office for receivables generated from the diagnostic laboratory. As detail records come in for lab charges they are posted to the individual ledger cards, batched for filing, and the batch total is entered on a worksheet. About the 20th of each month, the entries on the worksheet are totaled and a journal entry prepared for debiting the accounts receivable control account in SBAS. The detail and control accounts are credited as payments are received. However, current accounting practices for these receivables do not include the reconciliation of the control and detail accounts. Basically the control and detail should be in agreement at all times except for transactions that may have been posted to one record but not yet to the other. A periodic reconciliation would insure the accounts are maintained in balance. This principle is confirmed by MOM Section 2-1172.21 which provides that the detail must equal (or be reconcilable to) the control account.

#### RECOMMENDATION

I recommend that the Department periodically reconcile its detail receivable accounts with the related control accounts.

#### Unrecorded Receivables

The Department's billing date for the laboratory receivables discussed above is approximately the 20th of each month. As discussed above, this is the time the



worksheet entries are totaled for recording in SBAS. At June 30, 1979, additional receivables from laboratory sales totaling \$1,814 had been incurred between June 20-30, 1979, that were not recorded in SBAS.

Simarily, receivables from several other sources that the Department had earned through reimbursable services provided were not recorded in SBAS as of June 30, 1979. Some of these were as follows:

Predator, rodents, and rabies control expenditure reimbursements due from the State Department of Fish, Wildlife, and Parks	\$ 1,454
Reimbursements due from the U.S. Department of Agriculture pursuant to contracts for services	6,161
Market Inspection Fees due from livestock markets in Montana	8,742

Because the State is on the cash basis of accounting for revenues, the need for recording receivables in SBAS might not be as acute as if the revenues were recognized on the accrual basis. However, recording such receivables does provide for more informative disclosure as to the financial status of the funds involved and enables the publication of more accurate financial statements for the users of the information.

As opposed to recording the receivables in SBAS monthly, the most important time for financial statement purposes is the fiscal year end because the year end statements are the ones most used by the users. It should be pointed out though that getting the receivables recorded at year end requires that it be done during a rather busy time for agency accounting staffs - the year end accrual period of approximately July 1-20, when they are endeavoring to record all expenditure accruals, insure that expenditure authorizations aren't exceeded, etc. In fact, the exact amount of some receivable items cannot be determined during this timeframe. However, reasonable estimates can be made based on historical information available similar to the way it must be done for some expenditure accrual items.





#### RECOMMENDATION

I recommend that the Department review the Montana Operations Manual chapter relating to accounts receivable and consider recording all identifiable year end receivables in SBAS.

#### PROPERTY CONTROL

Similar to most other state agencies, the Department has waited many years for specific procedures from the Department of Administration relating to accounting for state property. The Department of Administration had issued a management memo in 1970 giving some broad guidelines on this subject but detail procedures were not provided. In August 1979, this void was filled by the Department of Administration's issuance of Chapter 2-1700 of the Montana Operations Manual. This chapter sets forth a detailed Property Accountability Management System (PAMS) that is now tied to the Statewide Budgeting and Accounting System. Proper implementation and maintenance of this system by state agencies should resolve most of the property control deficiencies pointed out in audit reports of state agencies over the last several years. The Department of Livestock is currently in the process of implementing PAMS as it relates to the Department's property.

In the absence of PAMS during the 1978-79 fiscal year, the Department's control over its equipment was lacking in such respects as non-tagging of equipment items, incomplete documentation of physical inventories and specific locations of equipment items, and general ledger control. However, as discussed above, with PAMS now available the Department has a sound basis to implement and maintain good control over its property.

#### RECOMMENDATION

I recommend that the Department complete its implementation of the procedures outlined in the State's Property Accountability Management System and maintain its part of the System on a current basis.



## RE-RECORDING OF BRANDS

The Department has over 70,000 livestock brands on record. State law provides for recording with the Department new brands and transfers of ownership of brands as they occur. In addition, Section 81-3-107 MCA provides for the re-recording of all brands every ten years and specifies that the re-recording be done in the second year of each decade (1961, 1971, 1981, etc.). Existing brands that are not recorded become available for re-issuance to someone else.

Although a re-recording year was not covered by this audit, discussion with the Division administrator and brands recorder and review of records indicate that the re-recording process puts a heavy burden upon the Department during the re-recording year, particularly because of the special preparations required and the large volume involved. These officials indicate that consideration has been given in the past to a staggered re-recording system such as having one tenth of the brands re-recorded each year. Such a system would be much more manageable from an administrative standpoint in that the function would be a continual one that could be built into the Department's system as a standard procedure and the smaller volume should result in a more efficient procedure and better service to the brand owners.

At the time of this writing, the Department is pursuing the feasibility of computerizing the brand records. If implemented, this feature should further enhance the re-recording process regardless of the time periods utilized but it seems this feature would be a particular aid to a staggered re-recording system.

## RECOMMENDATION

I recommend that the Department reconsider proposing a staggered system for the re-recording of brands in light of the large volume and improved record processing procedures currently available.



## PRIOR AUDIT RECOMMENDATIONS

The previous audit of the Department was for the fiscal year ended June 30, 1976. The report resulting from that audit contained seven recommendations. Following are those recommendations together with comments on the status of their implementation.

1. Implement procedures to put existing receivable amounts on SBAS.

The recommendation was directed toward receivables generated by the Department's diagnostic laboratory. The Department now records the laboratory receivable transactions in a SBAS control account as recommended. However, this current audit report contains additional comments and recommendations relating to the Department's accounts receivable (see page 6 ).

2. Use the process of aging the accounts receivable.

The Department uses alternative procedures to a formal aging procedure that are apparently working well because only one account was noted with any significant charges in arrears.

3. Establish a policy of taking an annual inventory of supplies.

As pointed out in the Department's reply to this recommendation in the prior audit report, the Department monitors its supplies inventory and its use on a continual basis. Formal complete documented physical inventories are not taken but none are required by state administrative procedures. Such formal physical counts would not significantly add to control over the supplies' use without the maintenance of perpetual inventory records. With the relatively small volume involved, the need for formal physical inventories of supplies does not appear to exist.



4. Correct plant, property, and equipment records for all equipment that cannot be found and that identification numbers not visible on equipment be restored.

The recommendation was partially implemented but as pointed out earlier in this report (page 9 ), the Department waited for detailed guidelines and instructions from the Department of Administration. These guidelines and instructions became available in August 1979 with the addition of Chapter 2-1700 to the Montana Operations Manual (MOM). The Department of Livestock is currently in the process of implementing the property accountability management procedures outlined in this new MOM chapter.

5. A procedure of using receiving reports be established.

The Department does not use a specific receiving report form as recommended. However, other documents are usually available that are used in lieu of formal receiving reports. These include vendor packing slips, copies of invoices, or copies of purchase orders. The current system seems to be working well.

6. A procedure of cancellation of invoices be established.

This is accomplished by the insertion of the applicable transfer-warrant claim numbers on paid invoices.

7. Current administrative methods be used for warrant transfers and purchase orders.

This recommendation was made based upon the observation that in some instances the Department makes purchases before purchase orders were issued by the State Purchasing Division. However, the Department's procedures comply with state purchasing requirements. In some instances, the Department needs materials within a time frame that does not enable the issuance of a purchase order document prior to obtaining the materials. In these instances, the Department's





policy is to consult with State Purchasing Division personnel and follow their instructions which are usually to obtain bids, purchase from the lowest bidder, and submit a requisition for purchase order through regular channels.

#### CONCLUDING COMMENTS

The comments and recommendations contained in this report have been made available to the Department's two division administrators. The Department's written reply is included as an appendix to this report starting on page 25. I would like to thank the administrators and their staffs for the cooperation and assistance provided during the audit.



DEPARTMENT OF LIVESTOCK  
BALANCE SHEET  
 ALL FUNDS  
June 30, 1979

	<u>General Fund</u>	<u>Earmarked Revenue Fund</u>	<u>Federal and Private Revenue Fund</u>	<u>Agency Fund</u>
<u>ASSETS</u>				
Cash Change Fund	\$ -	\$ 175	\$ -	\$ -
Cash in Treasury	-	661,486	30,435	89,594
Accounts Receivable	-	21,788	-	-
Investments	-	420,189	-	-
Encumbered Appropriation	<u>38,879</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 38,879</u>	<u>\$ 1,103,638</u>	<u>\$ 30,435</u>	<u>\$ 89,594</u>
 <u>LIABILITIES, RESERVES, AND FUND BALANCE</u>				
Accounts Payable	\$ 33,507	\$ 134,092	\$ 7,548	\$ -
Accrued Expenditures	5,372	38,517	-	-
Reserve for:				
Property Held in Trust - Exhibit G	-	-	-	90,973
Deferred Accounts Receivable	-	21,788	-	-
Fund Balance - Exhibit B	<u>-</u>	<u>909,241</u>	<u>22,887</u>	<u>(1,379)</u>
Total Liabilities, Reserves, and Fund Balance	<u>\$ 38,879</u>	<u>\$ 1,103,638</u>	<u>\$ 30,435</u>	<u>\$ 89,594</u>

See Notes to Financial Statements.



DEPARTMENT OF LIVESTOCK  
STATEMENT OF CHANGES IN FUND BALANCE  
 ALL FUNDS  
Fiscal Year Ended June 30, 1979

	<u>General Fund</u>	<u>Earmarked Revenue Fund</u> (Exhibit B-1)	<u>Federal and Private Revenue Fund</u> (Exhibit B-2)	<u>Agency Fund</u>
Fund Balance, July 1, 1978	\$ -	\$ 1,026,088	\$ 23,606	\$ (1,379)
Additions:				
Revenue - Exhibit C	7,179	2,044,435	61,478	-
Current Year Appropriations	580,711	-	-	-
Prior Year Appropriation	<u>9,477</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Available	597,367	3,070,523	85,084	(1,379)
Deductions:				
Expenditures - Exhibits D & E	542,660	2,153,510	60,794	-
Prior Year Expenditures	9,477	7,772	1,403	-
Revenue Deposited To General Fund	7,179	-	-	-
Appropriation Reversions	<u>38,051</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 1979	<u>\$ -</u>	<u>\$ 909,241</u>	<u>\$ 22,887</u>	<u>\$ (1,379)</u>

See Notes to Financial Statements.



DEPARTMENT OF LIVESTOCK  
STATEMENT OF CHANGES IN FUND BALANCE  
EARMARKED REVENUE FUND  
 Fiscal Year Ended June 30, 1979

	<u>Livestock Inspection and Control</u>	<u>Animal Health Emergency</u>	<u>Animal Health</u>	<u>Total</u>
Fund Balance, July 1, 1978	\$ 731,146	\$ 46,462	\$ 248,480	\$ 1,026,088
Additions:				
Revenue - Exhibit C-1	<u>1,324,814</u>	<u>3,502</u>	<u>716,119</u>	<u>2,044,435</u>
Total Available	2,055,960	49,964	964,599	3,070,523
Deductions:				
Expenditures - Exhibits D & E	1,438,056	-	715,454	2,153,510
Prior Year Expenditures	<u>4,166</u>	<u>-</u>	<u>3,606</u>	<u>7,772</u>
Fund Balance, June 30, 1979	<u>\$ 613,738</u>	<u>\$ 49,964</u>	<u>\$ 245,539</u>	<u>\$ 909,241</u>

See Notes to Financial Statements.





DEPARTMENT OF LIVESTOCK  
STATEMENT OF CHANGES IN FUND BALANCE  
FEDERAL AND PRIVATE REVENUE FUND  
 Fiscal Year Ended June 30, 1979

	<u>Pork Research and Marketing Grants</u>	<u>Livestock Sanitary Board</u>	<u>CETA Grants</u>	<u>Total</u>
Fund Balance, July 1, 1978	\$ 14,794	\$ 8,812	\$ -	\$ 23,606
Additions:				
Revenue - Exhibit C	<u>26,429</u>	<u>9,865</u>	<u>25,184</u>	<u>61,478</u>
Total Available	41,223	18,677	25,184	85,084
Deductions:				
Expenditures - Exhibits D & E	26,242	9,553	24,999	60,794
Prior Year Expenditures	<u>1,403</u>	<u>-</u>	<u>-</u>	<u>1,403</u>
Fund Balance, June 30, 1979	<u>\$ 13,578</u>	<u>\$ 9,124</u>	<u>\$ 185</u>	<u>\$ 22,887</u>

See Notes to Financial Statements.



DEPARTMENT OF LIVESTOCK  
STATEMENT OF REVENUE  
 ALL FUNDS  
Fiscal Year Ended June 30, 1979

	<u>General Fund</u>	Earmarked Revenue Fund (Exhibit C-1)	<u>Federal and Private Revenue Fund</u>
Licenses	\$ 7,179	\$ 84,298	\$ -
Taxes	-	1,243,651	-
Bounty Levy	-	186,421	-
Permits	-	5,104	-
Fines	-	1,263	-
Inspection Fees	-	319,268	-
Interest	-	33,948	-
Sale of Property	-	22,025	-
Laboratory Testing Fees	-	48,499	-
Dipping & Backtagging Fees	-	15,294	-
Contract Reimbursements	-	84,566	9,865
Pork Marketing Fees	-	-	26,429
CETA Grants	-	-	25,184
Other	<u>-</u>	<u>98</u>	<u>-</u>
Total	<u>\$ 7,179</u>	<u>\$ 2,044,435</u>	<u>\$ 61,478</u>

See Notes to Financial Statements.



DEPARTMENT OF LIVESTOCK  
STATEMENT OF REVENUE  
EARMARKED REVENUE FUND  
 Fiscal Year Ended June 30, 1979

	<u>Livestock Inspection and Control</u>	<u>Animal Health Emergency</u>	<u>Animal Health</u>	<u>Total</u>
Licenses	\$ 84,298	\$ -	\$ -	\$ 84,298
Taxes	599,824	-	643,827	1,243,651
Bounty Levy	186,421	-	-	186,421
Permits	5,104	-	-	5,104
Fines	1,263	-	-	1,263
Inspection Fees	319,268	-	-	319,268
Interest	28,466	3,502	1,980	33,948
Sale of Property	22,025	-	-	22,025
Laboratory Testing Fees	-	-	48,499	48,499
Dipping and Backtagging Fees	-	-	15,294	15,294
Contract Reimbursements	78,079	-	6,487	84,566
Other	<u>66</u>	<u>-</u>	<u>32</u>	<u>98</u>
Total	<u>\$ 1,324,814</u>	<u>\$ 3,502</u>	<u>\$ 716,119</u>	<u>\$ 2,044,435</u>

See Notes to Financial Statements.



DEPARTMENT OF LIVESTOCK  
STATEMENT OF EXPENDITURES COMPARED WITH AUTHORIZATIONS  
ALL FUNDS  
Fiscal Year Ended June 30, 1979

General Fund	Legislative Appropriations	Budget Amendments	Total Spending Authority	Expenditures	Unexpended
Centralized Services	\$ 48,998	\$ -	\$ 48,998	\$ 48,438	\$ 560
Animal Health Administration	35,700	-	35,700	28,590	7,110
Diagnostic Laboratory	246,846	-	246,846	243,404	3,442
Disease Control	52,229	-	52,229	42,995	9,234
Milk and Egg	131,320	-	131,320	129,968	1,352
Rabies and Rodent Control	65,618	-	65,618	49,265	16,353
Total	\$ 580,711	\$ -	\$ 580,711	\$ 542,660	\$ 38,051
Earmarked Revenue Fund					
Centralized Services	\$ 135,431	\$ -	\$ 135,431	\$ 135,184	\$ 247
Animal Health Administration	35,697	-	35,697	35,697	-
Diagnostic Laboratory	156,599	-	156,599	156,599	-
Disease Control	416,394	-	416,394	416,394	-
Inspection and Control	1,198,765	-	1,198,765	1,162,910	35,855
Predator Control	224,486	65,000	289,486	232,193	57,293
Rabies and Rodent Control	-	15,000	15,000	14,533	467
Total	\$ 2,167,372	\$ 80,000	\$ 2,247,372	\$ 2,153,510	\$ 93,862
Federal and Private Revenue Fund					
Centralized Services	\$ 24,200	\$ 6,700	\$ 30,900	\$ 26,242	\$ 4,658
Milk and Egg	9,553	-	9,553	9,553	-
Disease Control	-	39,351	39,351	24,999	14,352
Total	\$ 33,753	\$ 46,051	\$ 79,804	\$ 60,794	\$ 19,010

See Notes to Financial Statements.





DEPARTMENT OF LIVESTOCK  
STATEMENT OF EXPENDITURES

EXHIBIT E

ALL FUNDS

Fiscal Year Ended June 30, 1979

	Centralized Services	Animal Health Administration	Diagnostic Laboratory	Disease Control	Milk and Egg	Inspection and Control	Predator Control	Rabies and Rodent Control	Total
Personal Services:									
Salaries and Wages	\$ 115,361	\$ 49,223	\$ 256,987	\$ 249,980	\$ 93,653	\$ 809,231	\$ 87,391	\$ 37,828	\$ 1,699,654
Board Members' Compensation	2,550	-	-	200	-	-	-	-	2,750
Employee Benefits	17,834	6,032	36,890	35,496	13,984	124,016	13,942	5,706	253,900
Total Personal Services	135,745	55,255	293,877	285,676	107,637	933,247	101,333	43,534	1,956,304
Operating Expenses:									
Contracted Services	26,381	1,092	38,154	80,804	628	11,759	7,083	3,250	169,151
Supplies and Materials	3,163	583	31,194	21,112	5,065	37,592	25,186	3,826	127,721
Communications	13,294	1,791	8,803	8,163	1,569	21,356	4,109	2,695	61,780
Travel	8,384	4,876	2,877	40,820	13,535	68,416	17,463	6,214	162,585
Rent	20,196	218	785	4,240	3,020	1,673	2,588	247	32,967
Utilities	-	-	12,866	113	-	830	-	-	13,809
Repairs and Maintenance	715	2	6,311	2,314	1,436	7,828	54,222	7	72,835
Other Expenses	1,619	470	2,381	2,153	1,377	9,445	726	4,025	22,196
Total Operating Expenses	73,752	9,032	103,371	159,719	26,630	158,899	111,377	20,264	663,044
Equipment	367	-	2,755	28,953	5,254	70,764	19,483	-	127,576
Indemnity Payments	-	-	-	10,040	-	-	-	-	10,040
Total Expenditures	\$ 209,864	\$ 64,287	\$ 400,003	\$ 484,388	\$ 139,521	\$ 1,162,910	\$ 232,193	\$ 63,798	\$ 2,756,964
SOURCE OF FINANCING									
General Fund	\$ 48,438	\$ 28,590	\$ 243,404	\$ 42,995	\$ 129,968	\$ -	\$ -	\$ 49,265	\$ 542,660
Earmarked Revenue Fund:									
Livestock Inspection & Control	28,420	-	-	-	-	1,162,910	232,193	14,533	1,438,056
Animal Health	106,764	35,697	156,599	416,394	-	-	-	-	715,454
Federal & Private Revenue Fund:									
Pork Research & Marketing Grants	26,242	-	-	-	-	-	-	-	26,242
Livestock Sanitary Board	-	-	-	-	9,553	-	-	-	9,553
CETA Grants	-	-	-	24,999	-	-	-	-	24,999
Total	\$ 209,864	\$ 64,287	\$ 400,003	\$ 484,388	\$ 139,521	\$ 1,162,910	\$ 232,193	\$ 63,798	\$ 2,756,964

See Notes to Financial Statements.



DEPARTMENT OF LIVESTOCK  
STATEMENT OF CHANGES IN UNCLEARED COLLECTIONS ACCOUNT  
FEDERAL AND PRIVATE GRANT CLEARANCE FUND  
Fiscal Year Ended June 30, 1979

Account Balance, July 1, 1978		\$ -0-
Additions:		
Receipts		<u>7,199</u>
Total Available		7,199
Deductions:		
Transfers to General Fund	\$ 7,179	
Refund	<u>20</u>	
Account Balance, June 30, 1979		<u><u>\$ -0-</u></u>

See Notes to Financial Statements.



DEPARTMENT OF LIVESTOCK  
STATEMENT OF CHANGES IN ACCOUNTABILITY FOR PROPERTY HELD IN TRUST  
AGENCY FUND  
Fiscal Year Ended June 30, 1979

Accountability, July 1, 1978		\$ 83,941
Additions:		
Receipts		<u>178,860</u>
Total Accountability		262,801
Deductions:		
Refunds	\$ 149,371	
Transfer to Earmarked Revenue Fund	<u>22,457</u>	<u>171,828</u>
Accountability, June 30, 1979		<u>\$ 90,973</u>

See Notes to Financial Statements.



DEPARTMENT OF LIVESTOCK  
NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 1979

Basis of Accounting

1. Consistent with established fiscal policy for the State of Montana, the statements are prepared on the modified accrual basis of accounting, whereby expenditures are recorded on the basis of valid obligations and revenues are recorded when received.

Accrued Liability For Employees' Earned Time Off

2. The accompanying statements exclude the accrued liability for the Department's employees' earned time off for vacation and sick leave. The related expenditures are recorded when paid.

Installment Purchase

3. On January 30, 1979, the Department entered into an agreement for the purchase of a mag card typewriter system. The agreement provides that the Department will pay \$6,832 (\$8,474 purchase price less rental credit of \$2,396 plus interest of \$754) over a three year period. The unpaid balance on this contract at June 30, 1979, was \$6,262. This liability was not accrued at June 30, 1979, and is not reflected on the Balance Sheet, as the intention is to make future installment payments out of subsequent appropriations.

Contingent Liabilities

4. Two law suits are currently pending that could result in liabilities of the Department. The larger (in dollar terms) of the two involves a suit brought against Animal Health Division administrator, Dr. James Glosser, personally. The Department is not currently a party in the suit but could become so. The potential amount involved in this suit is \$360,000. The second suit pending, in the potential amount of \$9,000, concerns an action brought against the Department in May 1979, and relates to an unrecorded mortgage.





# DEPARTMENT OF LIVESTOCK

ANIMAL HEALTH DIVISION  
BRANDS ENFORCEMENT DIVISION

THOMAS L. JUDGE GOVERNOR

STATE CAPITOL, HELENA, MT 59601

BOARD OF LIVESTOCK

(406) 449-2043

October 23, 1979

Morris L. Brusett  
Legislative Auditor  
Capitol Building  
Helena, Montana 59601

Dear Morris:

## Recommendations of Audit Report

In response to the recommendations contained in the audit report for the fiscal year ended June 30, 1979, I submit the following:

Recommendation: That the Department seek budget amendments in those instances where expenditures are anticipated in excess of appropriations instead of charging the expenditures against subsequent year appropriations.

Answer: I agree and will not allow it to happen again.

Recommendation: That the Department reverse its July 1979 credit to expenditures of an \$1,152 equipment purchase refund and credit the refund to the appropriate account (e.g. uncleared collections or revenue) based upon the Department's determination as to its proper disposition.

Answer: I agree. This was corrected on journal voucher #12 in September.

Recommendation: That the Department implement as a standard procedure in its bill paying process the identification and consideration of available cash discounts for prompt payment of bills.

Answer: I agree. Claims clerks and the accountant have been instructed to check for possible discounts the first thing after the bill has been determined to be accurate and payable.

Recommendation: That the Department check with the Department of Administration as to the best approach and clear the negative fund balance in the Department of Livestock Agency Fund account.

Answer: I agree. This has been accomplished by journal voucher.



# DEPARTMENT OF LIVESTOCK

ANIMAL HEALTH DIVISION  
BRANDS ENFORCEMENT DIVISION

THOMAS L. JUDGE, GOVERNOR

STATE CAPITOL, HELENA, MT 59601

BOARD OF LIVESTOCK



(406) 449-2043

Recommendation: That the Department deposit directly into the General Fund revenues applicable to that fund.

Answer: I agree. As of November 1, 1979 all General Fund revenues will be deposited directly to that fund.

Recommendation: That the Department periodically reconcile its detail receivable accounts with the related control accounts.

Answer: I agree. Beginning with October, 1979 business, the accounts receivable accounts for the month will be recorded in SBAS on the last day of the month. This should aid in the reconcillation of the detail accounts with the control account.

Recommendation: That the Department review the Montana Operations Manual chapter relating to accounts receivable and consider recording all identifiable year end receivables in SBAS.

Answer: This was considered at the time we received Management Memo 2-79-3A in which paragraph 2(b) states in part " -- material revenues have not been received at the normal time of receipt should be accrued." Since there was no material amount of revenue that had not been received at the normal time of receipt, we did not accrue revenues as of 6-30-79. As for laboratory fees, recording these receivables in SBAS on the last day of the month instead of the twentieth day of the month should take care of that.

Recommendation: That the Department complete implementation of the procedures outlined in the State's Property Accountability Management System and maintain its part of the system on a current basis.

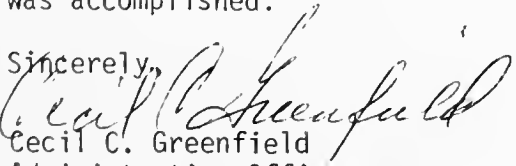
Answer: I agree. This recommendation is being implemented.

Recommendation: That the Department reconsider proposing a staggered system for the re-recording of brands in light of the large volume and improved record processing procedures currently available.

Answer: When the coputerized system for recording brands has been perfected and evaluated, consideration will be given to a staggered system for re-recording brands. If a staggered system proves feasible, legislation will be recommended to change the re-recording dates.

I want to express my appreciation for the expeditious and professional way this audit was accomplished.

Sincerely,

  
Cecil C. Greenfield  
Administrative Officer

